



# PCORI fees overview

## Tips

- Sponsors of fully insured major medical plans will still need to pay the PCORI fee if they sponsor a Health Reimbursement Arrangement (HRA).
- Sponsors of self-funded calendar year plans have a final PCORI fee payment due date extended to 2029 or 2030 depending on plan year.
- The IRS can ask for an employer to substantiate how they calculated covered lives. Employers should keep accurate records and be able to substantiate their enrollment count and methods.

## IRS Form 720

### IRS Form 720 Instructions

Employers must use the IRS Form 720 (Rev. June YYYY, with the year they are paying the fee. i.e., for plan years ending in 2023, fees are due by July 31, 2024, use Form 720 (Rev. June 2024).

## PCORI fees

The Affordable Care Act (ACA) established an independent, nonprofit corporation called the Patient-Centered Outcomes Research Institute (PCORI) to study the effectiveness of various medical treatments. The ACA also established an annual fee to help fund PCORI which applies to all types of health insurance plans. For insured plans, the fee is paid by the carrier. For self-insured plans, including those sponsoring a health reimbursement arrangement (HRA), the fee is paid by the plan sponsor (employer). The PCORI fee is due by July 31 of the year following the calendar year in which the plan or policy year ends.

The annual PCORI fee is determined based on \$2.00 (indexed) times the average number of lives covered under the policy or plan ending on or after October 1, 2012, and before October 1, 2029.

The fee does not apply to:

- Excepted benefits, e.g., limited scope dental, vision and most health FSAs
- Accident and disability benefits
- Long-term care benefits

- Workers' compensation
- EAPs, wellness or disease management programs that do not provide significant medical benefits
- Health Savings Accounts
- Stop-loss policies
- Policies issued to cover U.S. employees working and residing outside the U.S.

Employers who sponsor multiple self-funded plans within the same plan year, only need to pay one fee for all plans.

**Calculating Covered Lives:** Generally, “covered lives” includes dependents and former employees, not just active employees. Plan sponsors may use any of the following methods to calculate covered lives. Obviously, the goal is to use the calculation method that results in the smallest dollar amount owed.

- Actual count method
- Snapshot method
- Form 5500 method

## Actual count method

The actual count method is the actual number of covered lives on each day in the plan year (e.g., # of lives on day 1 + # of lives on day 2 + # of lives on day 3.....+ # of lives on day 365) divided by the number of days (e.g., 365) in the plan year.

### The Department of Treasury provides this example:

Lucky Inc. is the plan sponsor of a self-insured health plan, which has a calendar-year plan year. Lucky calculates the sum of lives covered under the plan each day of the plan year ending December 31, 2013 as 3,285,000. The average number of lives covered under the plan for the plan year ending December 31, 2013, is 3,285,000 divided by 365, or 9,000. To calculate the PCORI fee for the plan year ending December 31, 2013, Lucky must determine the applicable dollar amount (\$2.00) and multiply that amount by 9,000, which equals \$18,000.

## Snapshot method

There are two types of snapshot methods: Snapshot factor and snapshot count. Both are determined by adding the total number of lives covered on a date during each quarter and dividing by the total number of dates on which the count was made.

The sponsor may pick which day of the quarter is used, however, the date used in each quarter must be within three days of the date used within the first quarter (e.g., if the first quarter count is on 1/7, the second quarter count must be between 4/7-4/10) and all dates must fall within the same plan year.

To determine how many dependents are on the plan, under this method the plan sponsor may:

### Snapshot count method

Count the actual number of lives covered on a designated date or dates. This includes employees, spouses and other dependents.

### Snapshot factor method

Count the number of participants with self-only coverage on the designated date, plus the number of participants with other than self-only coverage, multiplied by 2.35.

### The Department of Treasury Provides this example:

Strike Corp. is the plan sponsor of a self-insured health plan, which has a calendar-year plan year. Strike uses the snapshot method to determine the average number of lives covered under the plan and uses the snapshot count method to determine the number of lives covered on a day in the first month of each calendar quarter of the plan year. On January 4, 2013, Strike's plan covers 2,000 lives; on April 5, 2013, 2,100 lives; on July 5, 2013, 2,050 lives; and on October 4, 2013, 2,050 lives. Under the snapshot method, Strike must determine the average number of lives covered under the plan for the plan year ending December 31, 2013, as 8,200 (2,000 + 2,100 + 2,050 + 2,050) divided by 4, or 2,050. To calculate the PCORI fee for the plan year ending December 31, 2013, Strike must determine the applicable dollar amount (\$2.00) and multiply that amount by 2,050, which equals \$4,100.

## Form 5500 method

A plan sponsor may also determine the average number of lives covered under the plan for the plan year based on a formula that includes the number of participants reported on the Form 5500 for the plan year. A plan sponsor may only use this method if the Form 5500 is filed no later than the due date for the fee imposed for that plan year.

The average number of lives covered under a plan offering employee-only coverage equals the sum of the total participants covered at the beginning and the end of the plan year as reported on the Form 5500, divided by two. If a plan offers more than employee-only coverage, the total number of lives is determined by adding the total participant counts at the beginning and end of the year as reported on the Form 5500.

### The Department of Treasury Provides this example:

Wonder Inc. is the plan sponsor of a self-insured health plan, which has a fiscal-year plan year ending on July 31, 2013, and offers only self-only coverage. Wonder files a Form 5500 for the plan year ending July 31, 2013 (the 2012 Form 5500) by the due date, which reports 4,000 plan participants on the first day of the plan year and 4,200 plan participants on the last day of the 2012 plan year. Wonder must treat the number of lives covered for the plan year ending July 31, 2013, as equal to the sum of 4,000 and 4,200, or 8,200, divided by 2, or 4,100. To calculate the PCORI fee for the plan year ending July 31, 2013, Wonder must determine the applicable dollar amount (\$1.00) and multiply that amount by 4,100, which equals \$4,100.



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Caution: Employers with an HRA and no other major medical coverage should seek counsel to discuss potential issues.

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## Special rules for HRAs

Health reimbursement arrangements (HRAs) are considered self-funded health plans and are subject to the PCORI fee, however, there are special rules for counting participants with HRAs. If a plan sponsor does not have a self-insured health plan other than a HRA, the sponsor can count each participant's HRA as covering one covered life — there is no need to count dependents.

The HRA plan design determines how participants are counted.

- **Stand-alone HRAs:** If the same sponsor has no other applicable self-insured health plans, the sponsor must pay the fee based on the average number of lives covered by the HRA, but counting only one life per participant.
- **HRAs integrated with fully insured coverage:** If a plan sponsor has other coverage, but that coverage is fully insured, the fully insured medical plan and the HRA are treated as separate plans for the purpose of calculating PCORI fees. The plan sponsor will pay a PCORI fee based on the average number of employees participating in the HRA. Spouses/dependents are not included. The insurance carrier will pay the PCORI fee for the covered lives enrolled on the fully insured medical plan.
- **HRAs integrated with self-insured coverage:** If the plan sponsor has a self-insured health plan with the same plan year, the medical plan and the HRA are treated as one plan for purposes of the PCORI fee. If the HRA covers anyone who is not also covered under the other plan, the sponsor must pay the fee for those individuals using the rule outlined above under stand-alone HRA.

## Fee periods and payment schedule

Plan sponsors are required to file IRS Form 720 (Quarterly Federal Excise Tax Return) annually using Part II, Line Number 133, to report the number of covered lives. Traditionally, the Form 720 is updated late May or early June with the indexed PCORI amount. For filings due by July 31, 2024, the Form 720 (Rev. June 2024) should be used. The average number of covered lives is then multiplied by the applicable rate for that tax year as follows:

## 2022 new and renewal plan dates

PLAN YEAR	FEE PER COVERED LIFE	IRS FORM 720 AND PAYMENT DUE
January 1, 2022, through December 31, 2022	\$3.00	July 31, 2023
February 1, 2022, through January 31, 2023	\$3.00	July 31, 2024
March 1, 2022, through February 28, 2023	\$3.00	July 31, 2024
April 1, 2022, through March 31, 2023	\$3.00	July 31, 2024
May 1, 2022, through April 30, 2023	\$3.00	July 31, 2024
June 1, 2022, through May 31, 2023	\$3.00	July 31, 2024
July 1, 2022, through June 30, 2023	\$3.00	July 31, 2024
August 1, 2022, through July 31, 2023	\$3.00	July 31, 2024
September 1, 2022, through August 31, 2023	\$3.00	July 31, 2024
October 1, 2022, through September 30, 2023	\$3.00	July 31, 2024
November 1, 2022, through October 31, 2023	\$3.22	July 31, 2024
December 1, 2022, through November 30, 2023	\$3.22	July 31, 2024

## 2023 new and renewal plan dates

PLAN YEAR	FEE PER COVERED LIFE	IRS FORM 720 AND PAYMENT DUE
January 1, 2023, through December 31, 2023	\$3.22	July 31, 2024
February 1, 2023, through January 31, 2024	\$3.22	July 31, 2025
March 1, 2023, through February 29, 2024	\$3.22	July 31, 2025
April 1, 2023, through March 31, 2024	\$3.22	July 31, 2025
May 1, 2023, through April 30, 2024	\$3.22	July 31, 2025
June 1, 2023, through May 31, 2024	\$3.22	July 31, 2025
July 1, 2023, through June 30, 2024	\$3.22	July 31, 2025
August 1, 2023, through July 31, 2024	\$3.22	July 31, 2025
September 1, 2023, through August 31, 2024	\$3.22	July 31, 2025
October 1, 2023, through September 30, 2024	\$3.22	July 31, 2025
November 1, 2023, through October 31, 2024	TBD	July 31, 2025
December 1, 2023, through November 30, 2024	TBD	July 31, 2025

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\*STATISTICS ACCURATE AS OF MARCH 31, 2024.

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